

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-04 INR-10 NSAE-00 RSC-01 CG-00 COA-02 DLOS-06

CAB-09 FAA-00 AID-20 FRB-02 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 PA-04 USIA-15

PRS-01 ST-01 DRC-01 /136 W
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R 181735Z MAR 74

FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 5025
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

UNCLAS SECTION 1 OF 2 SAO PAULO 0542

E.O. 11652: N/A

TAGS: ETRN, BR

SUBJECT: FREIGHT CONGESTION AT SAO PAULO AIRPORTS

1. THE SIZEABLE INCREASE IN BRAZIL'S FOREIGN TRADE, CONGESTION AT THE PORT OF SANTOS AND REDUCED INVENTORIES FOR MANY CRITICAL PRODUCTION ITEMS HAVE LED A NUMBER OF SAO PAULO INDUSTRIES TO RELY INCREASINGLY ON AIR SHIPMENT AS A MAJOR MEANS OF TRANSPORTATION. SAO PAULO'S TWO MAJOR AIRPORTS--CONGONHAS AND VIRACOPOS--WICH HAVE INADEQUATE FREIGHT STORAGE FACILITIES AND HANDLING EQUIPMENT, INSUFFICIENT AND UNTRAINED PERSONNEL, AND POOR ORGANIZATION AND MANAGEMENT, HAVE PROVEN INCAPABLE OF PROCESSING THE INCREASED INFLOW OF MERCHANDISE. THE RESULTS HAVE BEEN EXTENSIVE DELAYS, LOSS OR MISPLACEMENT OF CARGOS, SPOILAGE OF PERISHABLES, DAMAGE TO SHIPMENTS AND A GENERAL SITUATION BORDERING AT TIMES ON CHAOS. THE MAJOR DIFFICULTY HAS BEEN THE INSUFFICIENCY OF THE PRIVATE COMPANY WHICH HAD RECENTLY AWARDED BY THE 4TH AIR ZONE THE EXCLUSIVE WAREHOUSING CONTRACT AT CONGONHAS, WITHOUT THE PROPER RESOURCES TO MEET ITS RESPONSIBILITIES. IN RECENT MONTH, THIS SITUATION HAS

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REACHED A CRITICAL POINT FOR A NUMBER OF AMERICAN FIRMS,

BECAUSE MAINTENANCE OF THEIR PRODUCTION RUNS HAS BEEN DEPENDENT UPON IMPORTING ESSENTIAL PARTS AND MATERIALS UNAVAILABLE LOCALLY. MANY OF THESE COMPANIES HAD LARGELY EXHAUSTED THEIR INDIVIDUAL MEANS OF COPING WITH THIS SITUATION AND RECENTLY SEVERAL OF THEM HAVE SOUGHT THE ASSISTANCE OF THE CONSULATE GENERAL IN ATTEMPTING TO IMPROVE CONDITIONS. BEYOND THE PLIGHT OF THESE COMPANIES, THIS SITUATION HAS OBVIOUS RAMIFICATIONS FOR THE U.S. BUSINESS COMMUNITY WHICH EXPORTS TO BRAZIL.

2. THE CHAOS AT CONGONHAS WAS ALSO OF CONCERN TO THE OTHER CONSULS IN SAO PAULO AND VARIOUS APPROACHES TO BRAZILIAN AUTHORITIES WERE EXAMINED AND REJECTED IN CONVERSATIONS BETWEEN THE DEAN OF THE CONSULAR CORPS AND PRESIDENT OF THE SAO PAULO CONSULAR SOCIETY, THE AMERICAN CONSUL GENERAL.

3. IN THE CONTINUING EFFORT TO SUPPORT OUR COMMERCIAL INTERESTS IN BRAZIL, THE CONSUL GENERAL TOOK ADVANTAGE OF THE OPPORTUNITY AFFORDED HIM BY SITTING NEXT TO GENERAL EDNARDO D'AVILA MELLO, COMMANDER OF THE SECOND ARMY IN SAO PAULO, AT A CONSULAR SOCIETY DINNER IN THE GENERAL'S HONOR ON MARCH 7. THE CONSUL GENERAL DESCRIBED THE SITUATION AT CONGONHAS AIRPORT IN A FACTUAL MANNER, STRESSING THE ACTUAL AND POTENTIAL DAMAGE TO BRAZILIAN PRODUCTION AND EXPORTS, WHICH WERE PARTICULARLY CRITICAL IN A YEAR OF EXTREMELY COSTLY PETROLEUM IMPORTS. THE GENERAL EXPRESSED CONSIDERABLE INTEREST, AND MOVED EXPEDITIOUSLY TO HELP RESOLVE THE DIFFICULTIES. THE FOLLOWING DAY, HE CALLED BRIGADEIRO DELIO JARDIM MATTOS, COMMANDER OF THE FOURTH AIR ZONE IN SAO PAULO, AND THE BRIGADEIRO IN TURN ASKED COLONEL MENDONCA, THE AIR FORCE OFFICER IN CHARGE OF AIRPORT OPERATIONS TO ARRANGE A TOP-LEVEL MEETING WITH THE CONSUL GENERAL, INTERESTED U.S. FIRMS, THE BRAZILIAN WAREHOUSING FIRM AND RELEVANT BRAZILIAN AIR FORCE, CUSTOMS AND AIRPORT AUTHORITIES IN ORDER TO DISCUSS ALL ISSUES. (THE CONSUL GENERAL WAS ABLE TO THANK THE GENERAL FOR HIS INITIATIVE WHEN THE AMBASSADOR PAID A COURTESY CALL ON THE GENERAL ON MARCH 8).

4. A THREE-HOUR MEETING RESULTED MARCH 14 AT CONGONHAS AIRPORT IN WHICH THE ISSUES WERE EXTENSIVELY AIDED. FIFTEEN MAJOR U.S. FIRMS WERE REPRESENTED: FORD, GM, GE, IBM, PHILCO, CATERPILLAR, GENERAL FOODS, ROHM & HAAS, DU PONT, DOW, SEARLE, ELI LILLY, UNCLASSIFIED

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SQUIBB, MERCK, SHARM & DOHME, AMERICAN HOME PRODUCTS. (THE AIRPORT WAREHOUSING COORDINATOR INDICATED IN THE MEETING THAT THE COMPANIES REPRESENTED IMPORTED THE VAST MAJORITY OF ALL AIR CARGO MOVING THROUGH CONGONHAS AIRPORT).

5. IN BRIEF REMARKS OUTLINING THE GENESIS AND OBJECTIVES OF THE MEETING, THE CONSUL GENERAL CALLED FOR SPECIFIC, PRACTICAL STEPS TO IMPROVE THE EXISTING SITUATION, NOT CARPING OVER PAST

FAILURES. HE ASSUMED THAT EVERYONE PRESENT HAD THE SAME BASIC INTEREST: TO PROMOTE THE DEVELOPMENT OF THE BRAZILIAN ECONOMY. THE COMPANY REPRESENTATIVES INDICATED GREAT DISPLEASURE WITH NUMEROUS DEFICIENCIES OF THE WAREHOUSING COMPANY: DELAYS IN CLEARANCES, LOST SHIPMENTS, THE MYRIAD OF DOCUMENTATION REQUIRED, THE INADEQUATE AND SLOPPY RETENTION BY AUTHORITIES OF NECESSARY RECORDS AND THE GENERAL CONFUSION WHICH HAS PREVAILED AT BOTH AIRPORTS. BRAZILIAN OFFICIALS ACKNOWLEDGED THAT THE SITUATION HAD BEEN CHAOTIC, BUT CITED THEIR ATTEMPTS TO MAKE IMPROVEMENTS. THE COMPANY REPRESENTATIVES CONCEDE THAT SOME IMPROVEMENTS HAD BEEN MADE BUT THE SITUATION WAS FAR FROM SATISFACTORY. IT WAS MUTUALLY AGREED THAT AN INCREASING PERCENTAGE OF IMPORTS WAS BEING BROUGHT INTO BRAZIL BY AIR AND THAT THE HEAVY WORKLOAD WOULD CONTINUE. THE BRAZILIAN AUTHORITIES ALSO POINTED OUT THAT ADDITIONAL PERSONNEL AND A DATA PROCESSING SYSTEM WERE BEING ADDED TO HELP ALLEVIATE PROBLEMS. FINALLY THEY ASKED FOR, AND RECEIVED, SPECIFIC SUGGESTIONS TO AMELIORATE THE SITUATION. COLONEL MENDONCA, ACTING AS RAPPOREUR, NOTED THESE DOWN FOR ACTION AND IMPLEMENTATION. THE MEETING ENDED WITH A TOUR OF WAREHOUSE AND STORAGE AREAS, AND THE FIRMS PRESENTED EXPRESSED SATISFACTION THAT THE CONSULATE HAD TAKEN A SIGNIFICANT INITIATIVE TO CLEAR UP THE SERIOUS CONFUSION AND DELAYS IN THE HANDLING OF AIR CARGO IN SAO PAULO.

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FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 5026

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

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6. COMMENT: WHILE FREIGHT CONGESTION AT SAO PAULO AIRPORTS WILL CONTINUE IN THE FORESEEABLE FUTURE, THE MEETING SHOULD RESULT IN SOME IMPROVEMENTS. HIGH-LEVEL BRAZILIAN AUTHORITIES ARE NOW MORE FULLY AWARE OF SPECIFIC COMPANY PROBLEMS. THE CONGEN GAINED THE IMPRESSION THAT BUREAUCRATIC PROCEDURES IN THE WAREHOUSING COMPANY AND CUSTOMS ARE MAJOR BOTTLENECKS LEADING TO DELAYS, BUT THAT U.S. EXPORTERS AND THE AIRLINES CARRYING THE CARGO TO SAO PAULO ARE ALSO PARTLY RESPONSIBLE BECAUSE THEY FAIL PROPERLY TO DOCUMENT SHIPMENTS. WHILE THE PRINCIPAL IMMEDIATE CAUSE OF THE CONGESTION IS THE INEFFICIENT WAREHOUSING COMPANY, MORE FUNDAMENTAL CAUSES ARE THE BRAZILIAN BOOM AND THE MASSIVE MERCHANDISE INFLOWS NEEDED TO SUTAIN IT. WITH MAJOR PORTS JAMMED, THE ONLY VIABLE ALTERNATIVE FOR SOME FIRMS IS TO FLY IN ESSENTIAL AIRPORTS TOO. CONGEN WILL CONTINUE TO MONITOR DEVELOPMENTS THROUGH CONTACT WITH RELEVANT U.S. FIRMS AND ASSIST WHEREVER POSSIBLE AND APPROPRIATE.
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